



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

25 Sigourney Street
Hartford CT 06106-5032

SN 2003(12)

SPECIAL NOTICE

2003 Legislation Affecting the Gift Tax

Purpose: This Special Notice describes legislation passed during the June 30 Special Session of the Connecticut General Assembly. The legislation delays the incremental reduction and ultimate repeal of the gift tax (other than those donors whose amount of taxable gifts, for Connecticut gift tax purposes, exceeds \$1 million during a calendar year).

Effective Date: August 16, 2003, and applicable to calendar years beginning on or after January 1, 2003.

Statutory Authority: Conn. Gen. Stat. §12-642(a), as amended by 2003 Conn. Pub. Acts 1, §99 (June 30 Spec. Sess.).

Definitions: As used in the Special Notice:

Federal total amount of gifts means a donor's total amount of gifts, for federal gift tax purposes.

Connecticut total amount of gifts means a donor's total amount of gifts, for Connecticut gift tax purposes. A donor's Connecticut total amount of gifts may be less than the donor's federal total amount of gifts if:

- Any gifts made by the donor are not subject to Connecticut gift tax (such as a gift of real or tangible personal property located outside Connecticut);
- The donor is not entitled to the annual exclusion* (the first \$11,000 of any gifts of a present interest in property to a particular donee during a calendar year) for Connecticut gift tax purposes because all or a portion of the first \$11,000 of any such gifts to the donee during the calendar year was not subject to Connecticut gift tax (such as a gift of real property located outside Connecticut); or

- The value of any gift for Connecticut gift tax purposes differs from the value for federal gift tax purposes (such as a gift of farmland, where the donor claims special valuation on *Schedule CT-709 Farmland*).

*The annual exclusion amount is indexed for inflation for federal and Connecticut gift tax purposes. No adjustment to the annual exclusion amount under 26 U.S.C. §2503(b) for gifts was made during calendar year 2003.

Connecticut taxable gifts means the Connecticut total amount of gifts, from which gifts to charitable organizations or gifts to a spouse may be deducted, to the extent those gifts are includible in Connecticut total amount of gifts. The deductions allowed from a donor's Connecticut total amount of gifts may be less than the deductions allowed from the donor's federal total amount of gifts if gifts that are not subject to Connecticut gift tax (such as a gift of real or tangible personal property located outside Connecticut) are made to a charitable organization or to a spouse.

Phaseout of Gift Tax Postponed: The previously scheduled gift tax rate reduction enacted by 2000 Conn. Pub. Acts. 170, §8, already postponed for calendar years 2002 and 2003 by 2002 Conn. Pub. Acts 1, §76 (May 9 Spec. Sess.), has been postponed for calendar years 2004 and 2005. The gift tax rate for calendar years 2001, 2002, and 2003 remains in effect for calendar years 2004 and 2005. The previously scheduled gift tax rate reduction for each of the other calendar years will be delayed by two years (see *Gift Tax Rate Schedule* below).

Gift Tax Rate Schedule

| Amount of Connecticut Taxable Gifts | Tax |
|--|---|
| Calendar Years 2001, 2002, 2003, 2004, and 2005 | |
| \$25,000 or less | No gift tax due |
| Over \$25,000 but not over \$50,000 | \$250 plus 2% of the excess over \$25,000 |
| Over \$50,000 but not over \$75,000 | \$750 plus 3% of the excess over \$50,000 |
| Over \$75,000 but not over \$100,000 | \$1,500 plus 4% of the excess over \$75,000 |
| Over \$100,000 but not over \$675,000 | \$2,500 plus 5% of the excess over \$100,000 |
| Over \$675,000 | \$31,250 plus 6% of the excess over \$675,000 |
| Calendar Year 2006 | |
| \$50,000 or less | No gift tax due |
| Over \$50,000 but not over \$75,000 | \$750 plus 3% of the excess over \$50,000 |
| Over \$75,000 but not over \$100,000 | \$1,500 plus 4% of the excess over \$75,000 |
| Over \$100,000 but not over \$700,000 | \$2,500 plus 5% of the excess over \$100,000 |
| Over \$700,000 | \$32,500 plus 6% of the excess over \$700,000 |

| Amount of Connecticut Taxable Gifts | Tax |
|---------------------------------------|---|
| Calendar Year 2007 | |
| \$75,000 or less | No gift tax due |
| Over \$75,000 but not over \$100,000 | \$1,500 plus 4% of the excess over \$75,000 |
| Over \$100,000 but not over \$700,000 | \$2,500 plus 5% of the excess over \$100,000 |
| Over \$700,000 | \$32,500 plus 6% of the excess over \$700,000 |
| Calendar Year 2008 | |
| \$100,000 or less | No gift tax due |
| Over \$100,000 but not over \$850,000 | \$2,500 plus 5% of the excess over \$100,000 |
| Over \$850,000 | \$40,000 plus 6% of the excess over \$850,000 |
| Calendar Year 2009 | |
| \$950,000 or less | No gift tax due |
| Over \$950,000 | \$45,000 plus 6% of the excess over \$950,000 |
| Calendar Years after 2009 | |
| \$1,000,000 or less | No gift tax due |
| Over \$1,000,000 | \$47,500 plus 6% of the excess over \$1,000,000 |

Effect on Other Documents: While this Special Notice does not modify or supersede **Special Notice 2002(5)**, *2002 Legislation Affecting the Connecticut Gift Tax*, the gift tax rate schedule published in Special Notice 2002(5) should not be relied upon for calendar years after 2003.

Effect of This Document: A Special Notice announces a new policy or practice in response to changes in State or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by DRS.

For Further Information: Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (in-state), or
- **860-297-5962** (from anywhere)

TTY, TDD, and Text Telephone users only may transmit anytime by calling 860-297-4911.

Forms and Publications: Forms and publications are available anytime by:

- **Internet:** Preview and download forms and publications from the DRS Web site at **www.ct.gov/DRS**
- **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu.
- **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (in-state) and select **Option 2** from a touch-tone phone.